



## **FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021**

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors of  
Drum Point Property Owners' Association, Inc.

**Opinion**

We have audited the accompanying financial statements of Drum Point Property Owners' Association, Inc., which comprise the balance sheets as of June 30, 2022 and 2021, and the statements of revenue, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drum Point Property Owners' Association, Inc., as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Drum Point Property Owners' Association, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Drum Point Property Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Drum Point Property Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt Drum Point Property Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements (unaudited) on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Alta CPA Group, LLC*

August 26, 2022

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
BALANCE SHEETS  
JUNE 30, 2022 AND 2021

	2022			2021		
	Operating Fund	Special Tax District Fund	Total	Operating Fund	Special Tax District Fund	Total
<u>ASSETS</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 399,962	\$ 31,642	\$ 431,604	\$ 428,488	\$ 42,844	\$ 471,332
Road Bonds - Cash	16,500	-	16,500	21,500	-	21,500
Owners' Assessments Receivable, Net Of Allowance for Doubtful Accounts of \$67,767 and \$59,057, Respectively	63,750	-	63,750	74,292	-	74,292
Total Current Assets	<u>480,212</u>	<u>31,642</u>	<u>511,854</u>	<u>524,280</u>	<u>42,844</u>	<u>567,124</u>
Fixed Assets:						
Land	91,320	-	91,320	91,320	-	91,320
Building	88,400	-	88,400	88,400	-	88,400
Equipment	3,200	-	3,200	3,200	-	3,200
Less: Accumulated Depreciation	<u>(41,223)</u>	<u>-</u>	<u>(41,223)</u>	<u>(38,712)</u>	<u>-</u>	<u>(38,712)</u>
Net Fixed Assets	<u>141,697</u>	<u>-</u>	<u>141,697</u>	<u>144,208</u>	<u>-</u>	<u>144,208</u>
Total Assets	<u>\$ 621,909</u>	<u>\$ 31,642</u>	<u>\$ 653,551</u>	<u>\$ 668,488</u>	<u>\$ 42,844</u>	<u>\$ 711,332</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 3,539	\$ -	\$ 3,539
Road Bonds Payable	16,500	-	16,500	21,500	-	21,500
Deferred Revenue	162,094	31,642	193,736	154,911	42,844	197,755
Total Current Liabilities	<u>178,594</u>	<u>31,642</u>	<u>210,236</u>	<u>179,950</u>	<u>42,844</u>	<u>222,794</u>
Total Liabilities	<u>178,594</u>	<u>31,642</u>	<u>210,236</u>	<u>179,950</u>	<u>42,844</u>	<u>222,794</u>
Net Assets:						
Designated for Reserve	24,191	-	24,191	24,180	-	24,180
Undesignated Without Donor Restrictions	419,124	-	419,124	464,358	-	464,358
Total Net Assets	<u>443,315</u>	<u>-</u>	<u>443,315</u>	<u>488,538</u>	<u>-</u>	<u>488,538</u>
Total Liabilities and Net Assets	<u>\$ 621,909</u>	<u>\$ 31,642</u>	<u>\$ 653,551</u>	<u>\$ 668,488</u>	<u>\$ 42,844</u>	<u>\$ 711,332</u>

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022

	Operating Fund	Special Tax District Fund	Total
<b>REVENUE</b>			
Owners' Assessments	\$ 63,625	\$ 159,980	\$ 223,605
Road Fees	161,590	-	161,590
SHUR Funds	15,698	-	15,698
Interest Income	149	3	152
Miscellaneous Income	274	-	274
Total Revenue	<u>241,336</u>	<u>159,983</u>	<u>401,319</u>
<b>EXPENSES</b>			
Operating:			
Accounting	734	4,500	5,234
Bad Debt	8,710	-	8,710
Beach Security	7,013	-	7,013
Depreciation	2,511	-	2,511
Electric	4,686	-	4,686
Events	1,309	-	1,309
Insurance	5,816	-	5,816
Legal	773	-	773
Lot Purchase	8,904	-	8,904
Office Expense	6,884	-	6,884
Newsletter	708	-	708
Staff	69,460	-	69,460
Supplies	1,480	-	1,480
Taxes	2,289	-	2,289
Telephone	2,193	-	2,193
Total Operating Expenses	<u>123,470</u>	<u>4,500</u>	<u>127,970</u>
Replacement:			
Common Area Repairs and Maintenance	38,235	-	38,235
Road Repair	598	2,050	2,648
Snow Removal	52,567	-	52,567
Other Capital Projects and Improvements	71,689	153,433	225,122
Total Replacement Expenses	<u>163,089</u>	<u>155,483</u>	<u>318,572</u>
Total Expenses	<u>286,559</u>	<u>159,983</u>	<u>446,542</u>
Change in Net Assets	(45,223)	-	(45,223)
Net Assets Without Donor Restrictions, Beginning of Year	<u>488,538</u>	<u>-</u>	<u>488,538</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 443,315</u>	<u>\$ -</u>	<u>\$ 443,315</u>

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Operating Fund</u>	<u>Special Tax District Fund</u>	<u>Total</u>
<b>REVENUE</b>			
Owners' Assessments	\$ 63,605	\$ 233,633	\$ 297,238
Road Fees	151,726	-	151,726
SHUR Funds	15,365	-	15,365
Interest Income	207	4	211
Miscellaneous Income	272	-	272
Total Revenue	<u>231,175</u>	<u>233,637</u>	<u>464,812</u>
<b>EXPENSES</b>			
Operating:			
Accounting	913	4,500	5,413
Bad Debt	15,022	-	15,022
Beach Security	13,582	-	13,582
Depreciation	2,030	-	2,030
Electric	2,840	-	2,840
Events	1,659	-	1,659
Insurance	5,573	-	5,573
Legal	8,585	-	8,585
Office Expense	6,048	-	6,048
Newsletter	692	-	692
Staff	65,216	-	65,216
Supplies	1,499	-	1,499
Taxes	2,243	-	2,243
Telephone	2,068	-	2,068
Total Operating Expenses	<u>127,970</u>	<u>4,500</u>	<u>132,470</u>
Replacement:			
Common Area Repairs and Maintenance	31,190	-	31,190
Road Repair	1,132	-	1,132
Snow Removal	48,044	-	48,044
Other Capital Projects and Improvements	66,171	229,137	295,308
Total Replacement Expenses	<u>146,537</u>	<u>229,137</u>	<u>375,674</u>
Total Expenses	<u>274,507</u>	<u>233,637</u>	<u>508,144</u>
Change in Net Assets	(43,332)	-	(43,332)
Net Assets Without Donor Restrictions, Beginning of Year	<u>531,870</u>	<u>-</u>	<u>531,870</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 488,538</u>	<u>\$ -</u>	<u>\$ 488,538</u>

See independent auditor's report and accompanying notes to financial statements.



DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Operating Fund	Special Tax District Fund	Total	Operating Fund	Special Tax District Fund	Total
CASH FLOW FROM OPERATING ACTIVITIES						
Change in Net Assets	\$ (45,223)	\$ -	\$ (45,223)	\$ (43,332)	\$ -	\$ (43,332)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Bad Debt Expense	8,710	-	8,710	15,022	-	15,022
Depreciation Expense	2,511	-	2,511	2,030	-	2,030
(Increase) Decrease in Operating Assets:						
Owners' Assessments Receivable	1,832	-	1,832	(8,153)	-	(8,153)
Increase (Decrease) in Operating Liabilities:						
Accounts Payable and Accrued Expenses	(3,539)	-	(3,539)	3,539	-	3,539
Road Bonds Payable	(5,000)	-	(5,000)	2,500	-	2,500
Owner Assessments Deferred Revenue	7,183	-	7,183	8,516	-	8,516
Special Tax District Deferred Revenue	-	(11,202)	(11,202)	-	3,454	3,454
Net Cash Provided (Used) by Operating Activities	<u>(33,526)</u>	<u>(11,202)</u>	<u>(44,728)</u>	<u>(19,878)</u>	<u>3,454</u>	<u>(16,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of Fixed Asset	-	-	-	(7,220)	-	(7,220)
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,220)</u>	<u>-</u>	<u>(7,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(33,526)</u>	<u>(11,202)</u>	<u>(44,728)</u>	<u>(27,098)</u>	<u>3,454</u>	<u>(23,644)</u>
Cash and Cash Equivalents at Beginning of Year	<u>449,988</u>	<u>42,844</u>	<u>492,832</u>	<u>477,086</u>	<u>39,390</u>	<u>516,476</u>
Cash and Cash Equivalents at End of Year	<u>\$ 416,462</u>	<u>\$ 31,642</u>	<u>\$ 448,104</u>	<u>\$ 449,988</u>	<u>\$ 42,844</u>	<u>\$ 492,832</u>

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Drum Point Property Owners' Association, Inc. (the Association) is a common interest real estate organization incorporated in the State of Maryland, created for the benefit of property owners who live in the subdivision known as Drum Point located in Calvert County, Maryland. It has as its purpose the general upkeep and maintenance of the common elements of the development with an emphasis on maintenance of the community infrastructure as well as the social, economic, cultural, recreational and environmental conditions within the Drum Point subdivision.

The community includes approximately 1,608 lots and seventeen miles of developed roads.

On January 4, 1996, the Board of Directors of the Association approved a measure to petition the Calvert County Commissioners to establish a special taxing district, under Section 4-101 through 4-104, Title 4, of the Annotated Code of Maryland. The petition was facilitated to alleviate funding shortfalls incurred based on the Association's current assessments. On June 18, 1996, the Board of County Commissioners of Calvert County approved the petition establishing a special taxing district within the community known as Drum Point. Taxes will be levied on property owners in the subdivision by Calvert County. These tax monies will be disbursed to the Drum Point Property Owners' Association, Inc., to facilitate capital improvements and repair to the infrastructure of the community known as Drum Point.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

- Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.
- Special Tax District Fund - This fund is used to accumulate and disburse financial resources designated for future major repairs and replacements and certain administrative expenses. Funds are being accumulated within this fund as taxes levied by Calvert County are collected on behalf of the Association. Revenues within the special tax district fund are recognized when funds are expended.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the statements of cash flows, the Association considers cash on deposit, cash on hand, money market funds, and certificates of deposits with original maturities less than three months (if any) to be cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.

Road Bonds Cash and Road Bonds Payable

The balance in Road Bonds-Cash is the security for the Road Bonds Payable account. When construction is performed by builders or developers on lots within the community, a cash bond is required to be posted to offset any possible road damage. When construction is completed, the cash road bond is released to the builder or developer.

Cash Concentrations

The Association maintains all cash accounts within a Maryland local bank. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At June 30, 2022, the Association had approximately \$210,000 in excess of insured FDIC limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash. The Association utilizes sweep accounts to minimize this risk.

Owner Assessments Receivable

The annual budget and owners' assessments are determined by the Board of Directors to provide for current operating funds. Owners' assessments are billed to members of the community on an annual basis. Excess operating funds, if any, are accumulated for future board designated expenditures. The Association provides for losses on assessments receivable using the allowance method, based on historical collection rates.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

Accounts within this allowance are to be written off pending the Board's decision to pursue additional collection efforts and the related costs associated therewith. Collections on accounts previously written off are included in income as received.

Property and Equipment

Equipment is recorded at cost if purchased, or fair market value at time of donation if donated. Acquisition of property and equipment with a useful life of one year or greater and cost or fair market value of \$1,000 or more is capitalized. The costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

Building	40 Years
Equipment	3 Years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate a portion of these net assets for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue from contracts with customers primarily consists of owners' assessments and road fees. The Association recognizes revenue from owners' assessments and road fees over the assessment period, which is generally one year, during which time members have continuous access to common areas, architectural control and covenant enforcement, other services, and certain community events. The assessments are used to cover the costs of operating the Association, maintaining the common elements and improvements, and providing for facility repair and replacement.

Owners' assessments and road fees paid in advance are deferred to the assessment period to which they relate. Due to the nature and timing of the performance and/or transfer of services substantially all deferred revenue at June 30 of each year is recognized in the following year.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 6 of the notes to the financial statements. The schedules present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Association charges expenses directly to the benefitting function when possible. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include staff salaries, office expenses, and other expenses, which are allocated on the basis of estimates of time and effort.

Interest Income

Interest income resulting from time deposits and loans, except for interest earned on special tax district advances, is allocated to the operating fund.

Tax Status

The Association is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code, except on net income, if any, from unrelated business activities, and is classified as an organization that is not a private foundation.

The Association's informational return is subject to examination by the Internal Revenue Service and the State of Maryland, generally for the three years after it is filed.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Association evaluated subsequent events through the date that the financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the balance sheet date but prior to August 26, 2022 that would have a material impact on the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 431,604	\$ 428,488
Owners Assessments Receivable	<u>63,750</u>	<u>74,292</u>
Total Financial Assets Available Within One Year	495,354	502,780
Less Amounts Not Available to be Used Within One Year, Due to:		
Net Assets for Replacement Reserves	<u>(24,191)</u>	<u>(24,180)</u>
Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ <u>471,163</u>	\$ <u>478,600</u>

NOTE 3 - LAND AND BUILDING

The Association holds title to land acquired in an agreement with Drum Point Project, Inc. The value of this land at the time of transfer was \$49,500. The Association also owns non-buildable lots which are shown at zero value. The non-buildable lots consist of lots owned by the Association that will not pass a percolation test. Even though the county has assessed a small value on these lots, they currently have no resale value. Gains on the sale of such land, if any, will be recognized to the extent of value received.

During the year ended June 30, 2005, the Association purchased property for \$123,000. Of this amount, \$41,820 is the value of the land and \$81,180 is the value of the building. During the year ended June 30, 2021, the roof of this building was replaced for \$7,220, increasing the building value to \$88,400.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in the owners' assessments and road fees paid in advance and deferred revenue for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Owners' assessments and road fees paid in advance, beginning of the year	\$ 154,911	\$ 146,395
Owners' assessments and road fees revenue recognized	225,215	215,331
Collections of owners' assessments and road fees	<u>(218,032)</u>	<u>(206,815)</u>
Owner's assessments and road fees paid in advance, end of year	\$ <u>162,094</u>	\$ <u>154,911</u>

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Special tax district funds (as more fully described in Note 1) are to be expended for designated major repairs and replacements and certain administrative expenses. The amount of unexpended funds aggregated \$31,642 and \$42,844 as of June 30, 2022 and 2021, respectively.

The Board of Directors conducted a Level Two – Update level study in 2012 to estimate the replacement costs of the common property components. The Association is awaiting additional receipt of special tax assessments for such major repairs and replacements of these components based on the study's estimated current replacement costs. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated within the special tax district fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. During the years ended June 30, 2022 and 2021, the Board reserved \$24,191 and \$24,180, respectively, of operating funds for future replacement costs.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION

The costs of program and supporting services activities have been summarized on a functional basis as follows for the years ended June 30, 2022 and 2021:

<u>2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Depreciation	\$ 2,260	\$ 251	\$ 2,511
Electric	4,686	---	4,686
Office Expenses	9,248	7,833	17,081
Professional Fees	---	6,007	6,007
Replacement, Repairs, and Maintenance	318,572	---	318,572
Security	7,013	---	7,013
Staff	62,514	6,946	69,460
Other Expenses	<u>12,273</u>	<u>8,939</u>	<u>12,308</u>
Total	\$ <u>416,566</u>	\$ <u>29,976</u>	\$ <u>446,542</u>
<u>2021</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Depreciation	\$ 1,827	\$ 203	\$ 2,030
Electric	2,840	---	2,840
Office Expenses	7,461	8,419	15,880
Professional Fees	---	13,998	13,998
Replacement, Repairs, and Maintenance	375,674	---	375,674
Security	13,582	---	13,582
Staff	58,694	6,522	65,216
Other Expenses	<u>3,722</u>	<u>15,202</u>	<u>18,924</u>
Total	\$ <u>463,800</u>	\$ <u>44,344</u>	\$ <u>508,144</u>



DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 - OPERATING LEASE

In January 2021 the Association entered into a new copier lease. The monthly lease minimum payment is \$143 for 60 months. The minimum future rental payments required under non-cancelable operating leases as of June 30, 2022 are:

2023	\$	1,716
2024		1,716
2025		1,716
2026		<u>1,001</u>
Total	\$	<u>6,149</u>

Rent expense was \$1,862 and \$2,060 for the years ended June 30, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 JUNE 30, 2022

The Board of Directors conducted a study in 2012, with the help of engineers, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on estimated replacement costs at the time of the study. Funding requirements do not take into account the effects of inflation or interest on amounts funded for future major repairs and replacements.

<u>Component</u>	Estimated Useful Lives (Years)	Estimated Current Replacement Cost	% of <u>Total</u> <u>Cost</u>	Replacement Reserve Balance at June 30, 2022
Roadway	0 - 12	\$ 1,646,490	85%	\$ ---
Causeways	5	128,000	7%	---
Swales	0	75,000	4%	---
Common Elements	0 - 10	81,800	4%	---
Unclassified		<u>---</u>	<u>---</u>	<u>24,191</u>
Total		\$ <u>1,931,290</u>	<u>100%</u>	\$ <u>24,191</u>